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OPENING REMARKS

BY

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**AT THE LAUNCHING OF THE UNITED NATIONS CONFERENCE ON
TRADE AND DEVELOPMENT'S LEAST DEVELOPED COUNTRIES
REPORT (LDCR) 2011 ON "THE POTENTIAL ROLE OF SOUTH-SOUTH
COOPERATION FOR INCLUSIVE AND SUSTAINABLE
DEVELOPMENT"**

**UNITED NATIONS CONFERENCE CENTRE,
ADDIS ABABA, ETHIOPIA, 17 NOVEMBER 2011**

Excellencies

Distinguished Guests

Ladies and Gentlemen

I wish to sincerely thank the United Nations Conference on Trade and Development (UNCTAD) for the opportunity accorded to the African Union Commission to make remarks at the the launching of “The Least Developed Countries Report (LDCR) 2011” on the theme “The Potential Role of South-South Cooperation for Inclusive and Sustainable Development”. In this regard, on behalf of the African Union Commission and indeed on my own behalf, I wish to extend heartfelt appreciation to Mr. Supachai Panitchpakdi, Secretary General of the United Nations Conference of Trade and Development, for associating the African Union Commission with the launch of this very important report. UNCTAD, under the leadership of Mr. Panitchpakdi needs to be applauded for its substantial support to Africa’s Least Developed Countries (LDCs). Its role in highlighting development issues and opportunities facing Africa’s LDCs, especially through the publication of Least Developed Countries Reports is highly appreciated. However, scope remains for continuing to enhance this agenda for the accelerated graduation of many African economies from their long standing LDC status.

The theme of the “Least Developed Countries Report 2011”, that is, “The Potential Role of South-South Cooperation for Inclusive and Sustainable Development” is timely and pertinent. Africa, today, faces huge development challenges, and continues to contend with the problems of poverty and underdevelopment, despite its abundance of natural resources and enormous potential to be a pace setter in development as well as a new pole of global growth and rebalancing . In the decade prior to the recent economic and financial crisis, the continent registered an average economic growth rate of above 5 per cent and inflation declined to single digits. This was a result of concomitant improvements in governance, macro-economic management, and improvement in the investment climate. Although the impact of the current Euro-zone debt crisis on Africa is yet to be fully understood, the continent has demonstrated an impressive post crisis recovery and has begun to regain its growth trajectory.

However, at a time when many developing parts of the world are transforming into industrial and knowledge-based economies, with huge shares of trade and foreign direct investment (FDI), Africa continues to exhibit an insignificant share of world trade (2- 3 percent, a net decline when compared to the 1960s) and FDI (2- 3 percent). Further, it continues to have heavy reliance on the primary sector, and to contribute to only 1 percent to world GDP. Therefore, Africa occupies an insignificant position in the global economy and it is sidelined from the new organization of production at a world level. This has resulted in the continent, with a population nearing 1 billion (13 per cent of the world share), possessing the highest number of Least Developed Countries (LDCs), 34 of the world's 48.

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The low level of diversification in Africa continues to be a concern, as structural weaknesses continue to increase the continent's vulnerability to external shocks as well as impacting negatively on its ability to make significant inroads in some of the MDG targets, notably health-related goals. Unemployment, especially among the youth, is a major concern, with around 12 percent of Africa's youth being unemployed, and a sizeable number of those employed being underemployed or inactive.

At the same time, in 2008, Africa's combined GDP was estimated at USD 1.6 trillion, equal to that of Brazil or Russia, with a USD 860 billion-combined consumer spending. It is also the case that Africa has experienced an expansion in telecommunications, banking, retail, construction and foreign direct investment. By 2020, the continent is projected to have a combined consumer spending of USD1.4 trillion. All this is an indication that Africa is at a cross roads. It is simultaneously on the cusp of enhancing its current economic momentum while at the same time faced with the risk of continued marginalization in view of its persistently high number of LDCs, faltering economic recovery in industrialized countries accompanied with fears of global financial instability as well as possible reductions in Official Development Assistance (ODA).

With the development landscape redefined through the process of globalization and the emergence of a multi-polar world and new opportunities and orientations for the world economy, Africa has placed South-South cooperation at the forefronts of its development strategies, in addition to traditional relationships with development partners. It is recognition that Africa has substantial potential to attract sizeable savings from emerging and developing countries, while also becoming an attractive investment destination, thereby unleashing its growth and transformative capacity and potential.

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A feature distinguishing the African Union from its predecessor, the Organization of African Unity (OAU) is its vision of “an integrated, prosperous, and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena”. This vision provides for strategic cooperation between Africa and other regional groupings, international organizations and states, with emerging powers of the South receiving particularly focus. The purpose is to market Africa’s position, increase its international standing and obtain the global leverage that would enable the continent to maximize its impact on the world scene. Africa’s socio-economic development challenges, particularly those of its LDCs, can be effectively addressed through such multilateralism.

South-South cooperation is an attractive form of partnership for the African continent and it has become critical to Africa’s success in accelerating and sustaining growth through technology transfer and infrastructure development. As an instrument, it has effectively supplemented existing international efforts and led to tangible and real benefits for African countries, especially the LDCs. It has, in this regard, been complementary rather than a substitute to North-South Cooperation. Therefore, over the years, a series of South-South cooperation arrangements, including Africa-South America, Africa-India , Africa-Iran, Africa-Brazil, and Africa-Turkey Partnerships, have

been initiated, while already existing initiatives, such as the Forum on Africa-China Cooperation (FOCAC) and Afro-Arab Cooperation, have been strengthened.

Despite, however, the huge opportunities that South-South cooperation holds for Africa, some concerns remain, including about the nature of investment from the South and its over-concentration on extractive industries. Often, little regard is given to the strengthening the local private sector and utilization and development local skills. Further, there have been limited value addition and technology transfer. Africa, therefore, needs to take active steps to ensure win-win scenarios and avoid being locked in its traditional role as commodity exporter. In this regard, the African Union is elaborating a clearly articulated vision and strategy for its cooperation arrangements.

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Increased South-South cooperation provides an opportunity to continue reshaping and consolidating Africa's economic and development momentum. With the imperative to raise the competitiveness of the continent at a regional and international level, South-South cooperation must be situated within a development paradigm based on 'partnership', rather than traditional 'assistance'; partnerships that are strategic, built around specific home grown objectives with predetermined win-win outcomes. In this regard, the massive imbalances in the global economy and Africa's position within it, characterized by 33 of 48 Least Developed Countries (LDCs), can be offset by South-South cooperation arrangements, especially with emerging economies.

Taking hold of such engagements will be crucial to the continent's efforts to accelerate, increase and sustain its levels of growth, regional integration and graduate many of its economies from LDC status. It is in this context and in recognition of the importance of supporting LDCs to undertake structural reforms to graduate to middle-income status as a necessary accelerator to regional integration in Africa that African Ministers in charge of Integration, at their Fifth Conference held from 5- 9 November, 2011 in Nairobi,

Kenya, requested the African Union Commission, in collaboration with UNCTAD and United Nations Economic Commission for Africa, to develop a sustainable and effective growth and development strategy for the graduation of African Least LDCs.

In pursuing South-South cooperation arrangements, Africa itself must also undergo a step change and decisively shift a number of such arrangements away from a biased concentration on primary resource extraction to one that favours and advances institutional capacities and the transformation of the continent's production structures. This will be achieved if Africa, among other things, identifies and secures investment in key strategic sectors that diversify and strengthen its productive base, adds value to its exports, attracts new investment, enhances its position in the global value chain, and gains control over its regional markets for long-term sustainable growth. In this regard, such South-South cooperation arrangements should be supportive and bolster the implementation of Africa's own development and transformation agenda.

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In conclusion, I am confident that this year's Least Developed Countries Report will provide insightful policy recommendations and provoke discussions on the transformative and strategic contribution South-South cooperation can make in helping LDCs, the majority of which are in Africa, graduate from their current position. In this regard, I congratulate UNCTAD on the launch of the Least Developed Countries Report 2011.

I thank you for your kind attention.